

Memorandum

To: Panel Members Date: May 23, 2002

From: Ron Tagami, Manager
Peter DeMauro, General Counsel Analyst: J Johnson

Subject: One-Step Agreement for **BP West Coast Products, LLC**
(www.bp.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 100,000
 - In California: 6,400
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: Paper, Allied-Industrial, Chemical & Energy Workers (PACE) International Union AFL-CIO, CLC Local 8-675
International Brotherhood of Electrical Workers (IBEW) AFL CIO, Local 2295

CONTRACT:

- Program Costs: \$126,425
- Substantial Contribution: \$0
- Total ETP Funding: \$126,425
- In-Kind Contribution: \$265,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Dresser-Rand Corporation, Fullerton, California, \$1,800 for training
Trench Shoring Company, Los Angeles, California, \$1,500 for training
National Environmental Institute, Garden Grove, California, \$900 for training
Cerritos College, Norwalk, California, \$374 for training
Computer Education Specialist, Beverly Hills, California, \$6,900 for training

THIRD PARTY SERVICES:

California Manufacturers and Technology Association assisted with the development of the application at no charge to the Contractor.

NARRATIVE:

This project was brought to the Panel through the efforts of the California Manufacturers and Technology Association.

As a manufacturer, BP West Coast Products is eligible for funding under Title 22, California Code of Regulations, Section 4416(b), Out-of-State Competition.

Founded in 1866 and headquartered in London, England, BP (British Petroleum) Products refines crude oil into fuel products in their 18 refineries worldwide. In the year 2000, BP merged with the Atlantic Richfield (ARCO) Petroleum refinery located in Carson, California and formed a wholly owned subsidiary called BP West Coast Products. The Carson refinery is one of five BP refineries located in the United States. There are 960 Californians working at the Carson refinery with 5,440 additional BP workers employed at retail and commercial sites and pipeline and terminal operation sites throughout the state. This project is to retrain 60 Californians who work at the Carson refinery.

The Carson refinery primarily produces transportation fuels such as California Air Resources Board (CARB) gasoline, diesel, and jet fuel for the California market. With the largest crude capacity in California, this refinery produces 20 percent of California's gasoline and 30 percent of California's diesel fuel. Further, BP operates the 385-megawatt Watson Cogeneration facility that sells electricity to power suppliers as well as the refinery. The Wilmington Calciner is also part of the Carson refinery, producing 480,000 metric tons of calcined coke annually. BP customers include California's gasoline consumers, commercial airlines for jet fuel, wholesale distributors for diesel fuel, California's power grid for electric power generated by Watson Cogeneration and the Calciner, and aluminum smelters around the world for calcined coke. Another division of the company markets the gasoline under the ARCO brand.

In the refining industry, there is considerable competitive pressure because fuel products are commodities that are produced by hundreds of other refineries in the United States and throughout the world. Imports of product from the U.S. Gulf Coast and Asia have put downward pressure on product prices, impacting the company's profit margins. BP is also subject to California's environmental standards which are the most stringent in the world. Major Asian competitors have lower production costs because they pay

NARRATIVE: (continued)

lower wages and are able to operate under lax environmental standards and lower safety standards. While BP takes a strong position as an environmental leader in the oil industry, this position comes at a cost, which further depresses profitability.

In order for BP to remain competitive while maintaining extremely strict safety and environmental standards, the company has made a conscious decision to focus on implementation of a high performance workplace with the objective of a relatively error-free operation over a protracted time period. A critical component of this new focus will be for workers to learn skills sets which will improve productivity and efficiency and enable the company to produce more stable and cleaner burning fuels for California.

Trainees will learn the philosophy, methods, and systems designed to improve quality and processes. Key components of the ETP-funded training will be teaching workers to recognize how process improvements can be identified, which tools can be applied, and how to work as part of a team to reach solutions. In addition, workers must also adapt to changing technology in order to more effectively meet the demands of customers.

Many of BP's senior employees will reach retirement in the next few years and it becomes imperative to bring the skills of newer employees up to a fully competent level as quickly as possible in order to avoid a competency gap in the workforce. The focus of this proposal is to train sixty of these newer employees.

All project administration will be provided by the Contractor.

PACE, Local 8-675 (representing machinists, instrument technicians, pipe fitters, riggers, welders, maintenance utility workers, mechanical helpers, and process operators and IBEW, Local 2295, (representing electricians) have provided letters to show concurrence with the training described in this Agreement.

No executives who set company policy will be trained under this Agreement.

Supplemental Nature of Training

At BP, acquisition of higher levels of quality and process improvement skills for workers is mandatory for the viability of the company. The ETP-funded training will allow BP to become more competitive by improving technology, workplace processes, and customer service. The employees to be trained under this proposal have previously received basic safety training and new hire orientation. This previous training was delivered informally, on the job, and in the classroom. The proposed ETP training will be more structured than the companies past training and the curriculum will be extensive in scope.

Current workers comprised of machinists, electricians, instrument technicians, pipe fitters, riggers, welders, maintenance utility workers, mechanical helpers, process operators, and engineers will receive training in one or more of the following: Manufacturing Skills to improve skills connected with procedures, methods, and equipment specific to refining; Continuous Improvement Skills to learn how to improve work flow processes and to be able to recognize worker's roles and value in the workplace; Computer Skills to become more proficient in the ever-changing technology and tools used for efficient information-gathering and analysis of data; and Business Skills to enable workers to use effective communication tools to improve the effectiveness of information exchange with internal customers, to utilize project management skills to organize projects more effectively, and to learn the commercial aspects of the business to make better production decisions.

NARRATIVE: (continued)

Supplemental Nature of Training (continued)

BP is committed to an on-going investment in training. Following the ETP-funded program, BP intends to continually reinforce the training provided under this Agreement and will provide training to workers, not trained under this Agreement, at the company's expense.

Employer Contribution

The Contractor is contributing \$265,000 towards the costs of this project which is comprised of \$200,000 in wages paid to workers while in training and \$65,000 for costs of training materials.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement, if funding is available and the project meets Panel priorities. This recommendation is based on BP West Coast Products' stated need to provide its workers with skills to remain competitive, to ensure a continuing relationship with its customers, and to remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1 – 3 Retrainees	Continuous Improvement Skills Manufacturing Skills Business Skills Computer Skills	60	69 – 200	0	0	\$897 - \$2600	\$15.84-27.64
						<u>Prevalent Hourly Wage</u> \$21.25	
						<u>Average Cost per Trainee</u> \$2,107	
<u>Health Benefit used to meet ETP minimum wage:</u> N/A					<u>Turnover Rate</u> 2%	<u>% of Mgrs & Supervisors to be trained:</u> N/A	

**BP WEST COAST PRODUCTS LLC
CARSON REFINERY
MENU CURRICULUM**

Hours
Class/Lab

Job 1= 200 hours
Job 2= 140 hours
Job 3= 69 hours

Trainees will be provided one or more of the following:

COMPUTER SKILLS

Outlook
Excel
Word
PowerPoint
Access
Maximo (work order and procurement system)
Roadmap (document system)
Internet/Intranet
HTRI (Heat Transfer)
HYSYS (Process Simulation)
PICS (Process Data)

CONTINUOUS IMPROVEMENT

High Reliability Organization
Reliability Maintenance Process
Work Flow Processes (Maintenance, Lab, Design and Documentation)
Process Improvement

BUSINESS SKILLS

Project Management
Oil Industry Overview/Product Knowledge
Refinery Financial Overview
Controls Awareness
Financial Strategies
Financial Decision Making
Cash Flow/ Transactions
Listening
Giving and Receiving Feedback
Collaboration
Impact and Influence
Negotiation
Presentation
Communication Styles

MANUFACTURING SKILLS

Refinery Equipment Operation
Refinery Equipment Maintenance
Refinery Processes Overview
Process Engineering
Process Control Overview